

**Monthly Operating Report
ACCRUAL BASIS**

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054
JUDGE:	Stacey Jernigan


**UNITED STATES BANKRUPTCY COURT
NORTHERN & EASTERN DISTRICTS OF TEXAS
REGION 6**

MONTHLY OPERATING REPORT

MONTH ENDING: January 2020
MONTH YEAR

IN ACCORDANCE WITH TITLE 28, SECTION 1746, OF THE UNITED STATES CODE, I DECLARE UNDER PENALTY OF PERJURY THAT I HAVE EXAMINED THE FOLLOWING MONTHLY OPERATING REPORT (ACCRUAL BASIS-1 THROUGH ACCRUAL BASIS-7) AND THE ACCOMPANYING ATTACHMENTS AND, TO THE BEST OF MY KNOWLEDGE, THESE DOCUMENTS ARE TRUE, CORRECT, AND COMPLETE. DECLARATION OF THE PREPARER (OTHER THAN RESPONSIBLE PARTY) IS BASED ON ALL INFORMATION OF WHICH PREPARER HAS ANY KNOWLEDGE.

RESPONSIBLE PARTY:




ORIGINAL SIGNATURE OF RESPONSIBLE PARTY
Bradley Sharp
PRINTED NAME OF RESPONSIBLE PARTY

Chief Restructuring Officer

TITLE
3/02/2020

DATE

PREPARER:



ORIGINAL SIGNATURE OF PREPARER
Frank Waterhouse
PRINTED NAME OF PREPARER

Chief Financial Officer

TITLE
2-28-20

DATE

Monthly Operating Report
ACCRUAL BASIS-1

CASE NAME:	Highland Capital Management, LP
CASE NUMBER:	19-12239-CSS

Comparative Balance Sheet

(in thousands)

	<u>10/15/2019</u>	<u>12/31/2019⁽⁶⁾</u>	<u>1/31/2020⁽⁶⁾</u>
Assets			
Cash and cash equivalents	2,529	9,501	7,645
Investments, at fair value ⁽³⁾	232,620	235,224	240,649
Equity method investees ⁽³⁾	161,819	174,815	174,893
Management and incentive fee receivable	2,579	1,895	2,913
Fixed assets, net	3,754	3,521	3,441
Due from affiliates ⁽¹⁾	151,901	146,245	146,818
Reserve against notes receivable		(57,963)	(57,963)
Other assets	11,311	10,986	10,842
Total assets	<u>\$ 566,513</u>	<u>\$ 524,224</u>	<u>\$ 529,238</u>
Liabilities and Partners' Capital			
Pre-petition accounts payable ⁽⁴⁾	1,176	1,079	1,620
Post-petition accounts payable ⁽⁴⁾	-	961	153
Secured debt:			
Frontier	5,195	5,195	5,195
Jefferies	30,328	30,020	29,950
Accrued expenses and other liabilities ⁽⁴⁾	59,203	66,592	67,391
Accrued re-organization related fees ⁽⁵⁾	-	5,762	7,326
Claim accrual ⁽²⁾	73,997	73,997	73,997
Partners' capital	396,614	340,618	343,605
Total liabilities and partners' capital	<u>\$ 566,513</u>	<u>\$ 524,224</u>	<u>\$ 529,238</u>

⁽¹⁾ Includes various notes receivable at carrying value, except note due from Hunter Mountain Investment Trust which is fully reserved against (\$58M reserve). Fair value has not been determined with respect to any of the notes.

⁽²⁾ Uncontested portion of Redeemer claim less applicable offsets. Potential for additional liability based on future events. No interest has been accrued beyond petition date.

⁽³⁾ Mark to market gains/(losses) on investments include pricing updates for publicly traded securities and other positions with readily available market price information. Certain limited partnership interests normally marked to a NAV statement have not been updated as of period end as statements are generally available on a one-month lag.

⁽⁴⁾ Note on accruals: expenses recorded in Accounts Payable and Accrued Expenses and Other Liabilities reflect invoices recorded through accounts payable, legal invoice accruals, and normal course operating accruals, but do not reflect estimates for other incurred, but not yet received invoices. For balance sheet dates other than the Petition Date, amounts include both pre-petition and post-petition liabilities.

⁽⁵⁾ Beginning December 31st, 2019, Debtor accrued for post-petition re-organization fees based upon an estimate of fees incurred to date.

⁽⁶⁾ All balances at 12/31/2019 are preliminary, unaudited, and subject to further year-end closing entries pursuant to the normal year-end closing process. As a result, balances for subsequent months will fluctuate.

Monthly Operating Report

ACCRUAL BASIS-2

CASE NAME:	Highland Capital Management, LP
CASE NUMBER:	19-12239-CSS

Income Statement ¹

(in thousands)

	<u>Filing to Year Ended</u>	<u>Month ended</u>	<u>Filing to date</u>
	<u>2019</u>	<u>1/31/2020</u>	
Revenue:			
Management fees	4,484	1,705	6,189
Shared services fees	1,588	646	2,234
Other income	1,582	172	1,754
Total operating revenue	7,654	2,523	10,177
Operating expenses:			
Compensation and benefits	5,188	1,929	7,117
Professional services	702	85	787
Investment research and consulting	54	7	61
Marketing and advertising expense	20	37	57
Depreciation expense	244	79	323
Bad debt expense reserve	8,420	-	8,420
Other operating expenses	1,046	335	1,381
Total operating expenses	15,674	2,472	18,146
Operating income/(loss)	(8,020)	51	(7,969)
Other income/expense:			
Interest income	1,230	495	1,725
Interest expense	(346)	(114)	(460)
Reserve against notes receivable	(57,963)	-	(57,963)
Re-org related expenses ⁽²⁾	(5,762)	(2,590)	(8,352)
Independent director fees	-	(134)	(134)
Other income/expense	32	-	32
Total other income/expense	(62,809)	(2,343)	(65,152)
Net realized gains/(losses) on investments	618	6	624
Net change in unrealized gains/(losses) of investments ⁽³⁾	1,638	5,409	7,047
	2,256	5,415	7,671
Net earnings/(losses) from equity method investees ⁽³⁾	12,756	(136)	12,620
Net income/(loss)	\$ (55,817)	\$ 2,987	\$ (52,830)

(1) Note on accruals: expenses recorded in the Income Statement reflect invoices recorded through accounts payable, legal invoice accruals, and normal course operating accruals, but do not reflect estimates for other incurred, but not yet received invoices.

(2) Debtor funded various retainers totaling \$790k prior to the petition date, which were entirely expensed as of the petition date. At December 31st, 2019, Debtor accrued for post-petition re-organization fees based upon an estimate of fees incurred to date.

(3) Mark to market gains/(losses) on investments include pricing updates for publicly traded securities and other positions with readily available market price information. Certain limited partnership interests normally marked to a NAV statement have not been updated as of period end as statements are generally available on a one-month lag.

(4) All balances are preliminary, unaudited, and subject to further year-end closing entries pursuant to the normal year-end closing process.

Monthly Operating Report
ACCRUAL BASIS-3A

CASE NAME:	Highland Capital Management
CASE NUMBER:	19-34054

	FILING TO YEAR END 2019	JANUARY	FEBRUARY	MARCH	QUARTER
CASH RECEIPTS AND DISBURSEMENTS					
1. CASH - BEGINNING OF MONTH ²	\$ 2,554,230	\$ 9,501,409			\$ 9,501,409
RECEIPTS FROM OPERATIONS					
2. OTHER OPERATING RECEIPTS	\$ 1,862,757	\$ 437,863			\$ 437,863
3 MANAGEMENT FEES AND OTHER RELATED RECEIPTS	\$ 3,156,742	\$ 1,149,280			\$ 1,149,280
COLLECTION OF ACCOUNTS RECEIVABLE					
4 PREPETITION	\$ 3,593,108	\$ -			\$ -
5 POSTPETITION ¹	\$ -	\$ -			\$ -
6 TOTAL OPERATING RECEIPTS	\$ 8,612,608	\$ 1,587,143			\$ 1,587,143
NON-OPERATING RECEIPTS					
7 THIRD PARTY FUND ACTUAL/EXPECTED DISTRIBUTIONS	\$ 423,468	\$ -			\$ -
8 DIVS, PAYDOWNS, MISC FROM INVESTMENT ASSETS	\$ 1,338,069	\$ 80,114			\$ 80,114
9 OTHER (ATTACH LIST)	\$ 3,390,286	\$ 43,550			\$ 43,550
10 TOTAL NON-OPERATING RECEIPTS	\$ 5,151,822	\$ 123,664			\$ 123,664
11 TOTAL RECEIPTS	\$ 13,764,430	\$ 1,710,807			\$ 1,710,807
12 TOTAL CASH AVAILABLE		\$ 11,212,217			
OPERATING DISBURSEMENTS					
13 PAYROLL, BENEFITS, AND TAXES + EXP REIMB ⁽³⁾	\$ 3,776,446	\$ 1,483,225			\$ 1,483,225
14 SINGAPORE SERVICE FEES	\$ 95,118	\$ 32,607			\$ 32,607
15 HCM LATIN AMERICA	\$ 200,000	\$ 100,000			\$ 100,000
16 THIRD PARTY FUND CAPITAL CALL OBLIGATION	\$ 1,426,987	\$ -			\$ -
17 UTILITIES	\$ -				\$ -
18 INSURANCE	\$ -				\$ -
19 INVENTORY PURCHASES	\$ -				\$ -
20 VEHICLE EXPENSES	\$ -				\$ -
21 TRAVEL	\$ -				\$ -
22 ENTERTAINMENT	\$ -				\$ -
23 REPAIRS & MAINTENANCE	\$ -				\$ -
24 SUPPLIES	\$ -				\$ -
25 ADVERTISING	\$ -				\$ -
26 OTHER (ATTACH LIST)	\$ 1,318,700	\$ 792,268			\$ 792,268
27 TOTAL OPERATING DISBURSEMENTS	\$ 6,817,251	\$ 2,408,100			\$ 2,408,100
REORGANIZATION EXPENSES					
28 PROFESSIONAL FEES	\$ -	\$ 1,025,308			\$ 1,025,308
29 U.S. TRUSTEE FEES	\$ -				\$ -
30 OTHER (ATTACH LIST)	\$ -	\$ 133,869			\$ 133,869
31 TOTAL REORGANIZATION EXPENSES	\$ -	\$ 1,159,176			\$ 1,159,176
32 TOTAL DISBURSEMENTS	\$ 6,817,251	\$ 3,567,277			\$ 3,567,277
33 NET CASH FLOW	\$ 6,947,179	\$ (1,856,469)			\$ (1,856,469)
34 CASH - END OF MONTH	\$ 9,501,409	\$ 7,644,940			\$ 7,644,940

¹ All postpetition receipts are included in line 3, Management Fees and Other Related Receipts.

Monthly Operating Report
ACCRUAL BASIS-3B

CASE NAME:	Highland Capital Management
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NON-OPERATING RECEIPTS - OTHER

Date	Amount	Description
1/9/2020	43,550.00	Cash Receipt from Multi Strategy
	\$ 43,550.00	

OPERATING DISBURSMENTS - OTHER

Date	Amount	Vendor
1/2/2020	158,748.85	Crescent TC Investors LP
1/3/2020	43,550.00	Cash Disbursement to Multi Strategy
1/3/2020	637.13	AT&T
1/7/2020	7,729.05	CDW Direct LLC
1/8/2020	7,150.74	AT&T
1/13/2020	6,846.47	TW Telecom
1/15/2020	18,042.03	Siepe Software LLC
1/15/2020	2,500.00	Maples and Calder
1/17/2020	2,017.51	Zayo Group
1/22/2020	6,367.28	AT&T
1/22/2020	3,749.90	AT&T
1/23/2020	11,210.06	Fidelity National Information Svcs
1/24/2020	94,963.62	Houlihan Lokey
1/24/2020	130,530.12	Siepe Services, LLC
1/24/2020	3,120.36	UPS Small Package
1/24/2020	844.00	CSC
1/24/2020	225.00	Action Shred of Texas
1/24/2020	11,380.24	AT&T
1/24/2020	5,985.38	Third Party Consultant
1/24/2020	70,400.00	Intex Solutions, Inc.
1/24/2020	15,448.54	Compass Group USA dba Canteen
1/27/2020	260.58	DirecTV
1/28/2020	1,633.42	Xerox
1/30/2020	117,957.04	HE Peoria Place
1/30/2020	36,564.20	HE Asante
1/30/2020	518.96	HE Fox Trails
1/31/2020	18,650.19	Ace Parking
1/31/2020	11,000.00	Third Party Consultant
1/31/2020	3,787.76	Oak Cliff Office Supply & Printing (OCOP)
1/31/2020	450.00	Action Shred of Texas
	\$ 792,268.43	

REORGANIZATION EXPENSES - OTHER

Date	Amount	Description
1/13/2020	44,836.63	Russell F. Nelms
1/13/2020	44,516.00	Dubel & Associates, LLC
1/13/2020	44,516.00	James P. Seery, Jr.
	133,868.63	

Monthly Operating Report ACCRUAL BASIS-4

CASE NAME:	Highland Capital Management
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MGMT FEE RECEIVABLE AGING ²	October	November	December ³	January
1. 0-30	\$ 3,201,548	\$ 1,222,880	\$ 1,894,850	\$2,912,832
2. 31-60				
3. 61-90				
4. 91+				
5. TOTAL MGMT FEE RECEIVABLE	\$ 3,201,548	\$ 1,222,880	\$ 1,894,850	\$2,912,832
6. AMOUNT CONSIDERED UNCOLLECTIBLE				
7. MGMT FEE RECEIVABLE (NET)	\$ 3,201,548	\$ 1,222,880	\$ 1,894,850	\$2,912,832

AGING OF POSTPETITION TAXES AND PAYABLES			MONTH: January 2020		
TAXES PAYABLE	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
1. FEDERAL					\$0
2. STATE					\$0
3. LOCAL					\$0
4. OTHER (ATTACH LIST)					\$0
5. TOTAL TAXES PAYABLE	\$0	\$0	\$0	\$0	\$0
6. ACCOUNTS PAYABLE	545917.96-65	\$43,229	\$10,712	\$99,547	\$153,488

STATUS OF POSTPETITION TAXES ¹		MONTH: January 2020		
	BEGINNING TAX LIABILITY	AMOUNT WITHHELD AND/OR ACCRUED	AMOUNT PAID	ENDING TAX LIABILITY
FEDERAL				
1. WITHHOLDING				\$0
2. FICA-EMPLOYEE				\$0
3. FICA-EMPLOYER				\$0
4. UNEMPLOYMENT				\$0
5. INCOME				\$0
6. OTHER (ATTACH LIST)				\$0
7. TOTAL FEDERAL TAXES	\$0	\$0	\$0	\$0
STATE AND LOCAL				
8. WITHHOLDING				\$0
9. SALES				\$0
10. EXCISE				\$0
11. UNEMPLOYMENT				\$0
12. REAL PROPERTY	\$0	\$0	\$0	\$0
13. PERSONAL PROPERTY				\$0
14. OTHER (ATTACH LIST)				\$0
15. TOTAL STATE & LOCAL	\$0	\$0	\$0	\$0
16. TOTAL TAXES	\$0	\$0	\$0	\$0

- 1 The Debtor funds all state and federal employment taxes to Paylocity, who files all required federal and state related employment reports and withholdings.
- 2 Aging based on when management fee is due and payable.
- 3 All balances are preliminary, unaudited, and subject to further year-end closing entries pursuant to the normal year-end closing process.

Monthly Operating Report
ACCRUAL BASIS-5

CASE NAME:	Highland Capital Management
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MONTH: January 2020

BANK RECONCILIATIONS	Account #1	Account #2	Account #3	Account #4	Account #5	Account #6	
A. BANK:	BBVA Compass	East West Bank	East West Bank	Maxim Group	Jefferies LLC	Nexbank	TOTAL
B. ACCOUNT NUMBER:	x6342	x4686	x4693	x1885	x0932	x5891	
C. PURPOSE (TYPE):	Operating	Operating	Insurance	Brokerage	Brokerage	CD	
1. BALANCE PER BANK STATEMENT ¹	\$ -	\$ 6,389,954	\$ 382,809	\$ 325,963	\$ 410,108	\$ 136,105	\$ 7,644,939
2. ADD: TOTAL DEPOSITS NOT CREDITED							\$ -
3. SUBTRACT: OUTSTANDING CHECKS		\$ -					\$ -
4. OTHER RECONCILING ITEMS							\$ -
5. MONTH END BALANCE PER BOOKS	\$ -	\$ 6,389,954	\$ 382,809	\$ 325,963	\$ 410,108	\$ 135,205	\$ 7,644,939
6. NUMBER OF LAST CHECK WRITTEN	18133	100011	n/a	n/a	n/a	n/a	

INVESTMENT ACCOUNTS							
BANK, ACCOUNT NAME & NUMBER	DATE OF PURCHASE	TYPE OF INSTRUMENT	PURCHASE PRICE	CURRENT VALUE			
7.							
8.							
9.							
10.							
11. TOTAL INVESTMENTS			\$0				\$0

CASH	
12. CURRENCY ON HAND	\$0
13. TOTAL CASH - END OF MONTH	\$7,644,939

1 Account x6342 is now closed.

Monthly Operating Report
ACCRUAL BASIS-6

CASE NAME:	Highland Capital Management
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MONTH: January 2020

PAYMENTS TO INSIDERS AND PROFESSIONALS

INSIDERS				
NAME		TYPE OF PAYMENT	AMOUNT PAID	TOTAL PAID POST PETITION
1	Frank Waterhouse	Salary	\$29,167	\$102,083
2	Frank Waterhouse	Expense Reimbursement	\$334	\$1,842
3	Scott Ellington	Salary	\$37,500	\$131,250
4	Scott Ellington	Expense Reimbursement	\$144	\$2,177
5	James Dondero	Salary	\$12,784	\$129,972
6	James Dondero	Expense Reimbursement ¹	\$572	\$16,918
7	Thomas Surgent	Salary	\$33,333	\$116,667
8	Thomas Surgent	Expense Reimbursement	\$224	\$1,478
9	Trey Parker	Salary	\$29,167	\$102,083
10	Trey Parker	Expense Reimbursement	\$169	\$834
TOTAL PAYMENTS TO INSIDERS			\$143,393	\$605,304

¹ The total amount of reimbursements during the reporting month also included \$49,940 for use of the credit card by the Debtor for office related expenses such as subscriptions, employee lunches, vending supplies, IT equipment/software, employee gifts/awards, non-employee related travel and training.

PROFESSIONALS ²					
NAME		DATE OF COURT ORDER AUTHORIZING PAYMENT	AMOUNT APPROVED	AMOUNT PAID	TOTAL PAID TO DATE
1.	Pachulski Stang Ziehl & Jones LLP	1/22/20 & 1/22/20	\$982,158	\$982,158	\$982,158
2.					
3.					
4.					
5.					
6.	TOTAL PAYMENTS TO PROFESSIONALS			\$982,158	\$982,158

² Does not include payments to ordinary course professionals.

POSTPETITION STATUS OF SECURED NOTES, LEASES PAYABLE AND ADEQUATE PROTECTION PAYMENTS

NAME OF CREDITOR		SCHEDULED MONTHLY PAYMENTS DUE	AMOUNTS PAID DURING MONTH	TOTAL UNPAID POSTPETITION
1.	Crescent TC Investors LP (rent portion only)	130,364	130,364	-
2.				
3.				
4.				
5.				
6.	TOTAL	130,364	\$130,364	\$0

